

TERM SHEET SUPPLEMENT NO. 2
RELATED PROJECT - SANTA CLARA

This Term Sheet Supplement No. 2 ("**Supplement No. 2**") is entered into as of June 16, 2015, by and between the City of Santa Clara, California ("**City**"), and Related Santa Clara, LLC ("**Developer**"). City and Developer are sometimes referred to herein, collectively, as the "**Parties**". Capitalized terms used in this Supplement No. 2 without definition shall have the meanings given to such terms in the Term Sheet (defined below).

RECITALS

A. The Parties entered into a Term Sheet dated as of February 11, 2014 as amended by that certain Term Sheet Supplement dated as of July 1, 2014 (the "**Term Sheet Supplement**") (as amended, the "**Term Sheet**"). The Term Sheet sets forth the potential terms being negotiated with respect to the Project, based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the Parties in April, 2013 for the development of the Property (as amended and as it may be further amended from time to time, the "**ENA**").

B. The area that is the subject of the Term Sheet (the "**Property**") is described in the Term Sheet and comprises approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037, and 104-01-102) in the North of Bayshore Area, owned in fee by City.

C. The City and Santa Clara Centennial Gateway LLC ("**SCCG**") entered into a Term Sheet dated as of February 2014 (the "**Tasman Term Sheet**"). The Tasman Term Sheet sets forth the potential terms being negotiated with respect to a project based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the City and Montana Development Group, LLC ("**MPG**") dated as of June 2011 for the development of the Tasman Property (as amended and as it may be further amended from time to time, the "**Tasman ENA**").

D. The area that is the subject of the Tasman Term Sheet is described in the Tasman Term Sheet and comprises approximately 7 acres of bare land (APN 104-03-038), plus approximately 1.5 acres of land to the north of the existing garage on Tasman Drive (APN 104-03-039) (the "**1.5 Acre Site**") that is owned in fee by City (the "**Tasman Property**"). The Tasman Term Sheet describes the potential terms and guiding principles intended to govern the proposed development project on the Tasman Property and provides that the benefits of the Tasman ENA would flow to SCCG.

E. As contemplated under the Tasman Term Sheet, City intends to retain ownership of the Tasman Property and intends to ground lease the Property under a ground lease (the "**Tasman Ground Lease**"). SCCG is a limited liability company that included a joint venture partner of which MPG was a member, and another development partner as managing member. SCCG no longer retains any development interest in the Property or under the Tasman ENA. Instead, MPG has formed a new joint venture partnership with Developer. Under their joint venture, called Related MPG JV, LLC, MPG and Developer have agreed to pursue the joint development of the "**City Center**" portions of the Property and the Tasman Property, and MPG has agreed that, upon satisfaction of requisite contingencies, the benefit of the Tasman ENA will flow to Related MPG JV, LLC.

F. Section VII.D. of the Tasman Term Sheet sets forth certain material terms for the Tasman Ground Lease, including the base term and options to extend and provides that the rent would be intended to achieve a balance between the City's need to achieve a fair return for its property, the public policy objectives of the project and the developers need for a market return (with recognition of project component risks) on project costs.

G. The purposes of this Supplement No. 2 are to recognize the inclusion of the Tasman Property within the definition of "Property" and "Project" under the Term Sheet, and to set forth certain fundamental provisions regarding the rent structure and related issues for the Tasman Ground Lease on the terms set forth herein.

H. This Supplement No. 2 was presented to City Council on June 16, 2015. At that hearing, City Council voted ~~6-0~~ to adopt Resolution No. 15-[~~82.45~~] endorsing this Supplement No. 2.

NOW, THEREFORE, the Parties have entered into this Supplement No. 2 for the purposes of setting forth a proposed rent structure for the Tasman Ground Lease and supplementing other provisions of the Term Sheet, but with the understanding that this Supplement No. 2 is subject to all of the terms and conditions of Section I of the Term Sheet.

I. TERMS USED IN THIS SUPPLEMENT

The following terms used in this Supplement No. 2 have the meanings set forth below:

"Lease Year" means a 12-month period, with the first Lease Year for Phase 1 beginning with the Take Down of Phase 1.

"Minimum Initial Development" means (i) Developer's obligation to build approximately 600,000 square feet of office, food and beverage, entertainment, hotel and/or residential improvements in Phase 1, but which shall include a 300-key (or larger) hotel and 50,000 square feet of retail, food and beverage and entertainment uses, and to use best efforts to build an additional 200,000 square feet of office, retail, food and beverage, entertainment, and/or residential improvements in Phase 1; and (ii) Developer's obligation to build 700,000 square feet of improvements in Phase 2, consisting of (x) 500,000 square feet of retail, and (y) 200,000 square feet of office and/or a 300-key hotel, and to use best efforts to build an additional 230,000 square feet of office, retail, food and beverage, entertainment, and/or residential improvements in Phase 2.

"Minimum Retail Development" means Developer's obligation to build a minimum of 50,000 square feet of retail, food and beverage and entertainment uses in Phase 1 and 750,000 square feet of retail, food and beverage and entertainment uses in Phases 2 and Phase 3 combined, and to use best efforts to build 1,500,000 square feet of retail, food and beverage and entertainment uses in Phases 2 and Phase 3 combined.

"Phase" (which shall supersede the definition of "Phase" in the Term Sheet Supplement) means each of the eight (8) phases shown on Exhibit A attached hereto, as the same may be reconfigured in accordance with the Term Sheet.

"Phase 1" means the development of the Tasman Project on all portions of the Tasman Property shown on Exhibit A except for the 1.5 Acre Site (which shall be included in Phase 2), as the same may be reconfigured as set forth below.

"Remaining Potential Development" means the contemplated square footage of improvements represented on the CLU Plan attached hereto as Exhibit A that is above and beyond the Minimum Initial Development (which is also included on the CLU Plan) and that may be built by Developer in accordance with the Transaction Documents and the City approvals for the Project, as justified by market forces.

"Rent" means the annual rent payable to City, as landlord, by Developer, as tenant, under a Lease, which will be payable in equal monthly installments.

"Take Down" refers to City and Developer entering into a Lease with respect to a particular Phase on the terms set forth below.

"Tasman Project" means the project to be developed on the Tasman Property, except for the 1.5 Acre Site, in accordance with the Tasman CLU Plan described in Section III.A below.

"Tasman Property" as defined in Recital D above.

II. FRAMEWORK

A. Development of Project to Include Tasman Property. The Parties intend that development of the Project will include the Tasman Property, and that the Take Down times for the Project, including the portion of the Tasman Property that comprises Phase 1, will be no later than the times shown on Exhibit B attached hereto (which shall supersede Exhibit B to the Term Sheet Supplement in its entirety). References in the Term Sheet to the Project or a Parcel shall include the Tasman Project and Tasman Property, to the extent applicable.

B. Phases. All references in the Term Sheet Supplement to a "Phase" shall mean Phases 1 through 8 as illustrated on Exhibit A attached hereto. Except as otherwise provided herein, the project Phases identified in the Term Sheet Supplement are hereby renumbered so that Phase 1 identified in the Term Sheet Supplement will be Phase 2 as defined herein, Phase 2 identified in the Term Sheet Supplement will be Phase 3 and so on through Phase 8, as more particularly shown on Exhibit A attached hereto that shall replace the Exhibit A to the Supplement in its entirety.

C. Relationship to Tasman Term Sheet. The Parties acknowledge that the Term Sheet, as modified by this Supplement No. 2, may be inconsistent with the Tasman Term Sheet in certain respects. The Parties intend that the applicable provisions of the Term Sheet, including this Supplement No. 2, shall apply to negotiations for the Tasman Property, shall supplement the terms of the Tasman Term Sheet as applied to the Tasman Property and shall supersede any conflicting provisions of the Tasman Term Sheet, including, without limitation, Section III (Land

Use) and Section VII.D (Ground Lease) thereof. Upon approval of this Term Sheet, City shall take such actions as necessary to amend the Tasman ENA and Tasman Term Sheet consistent with the processing of a single project on the Tasman Property and the Property combined.

III. LAND USE

A. Conceptual Land Use Plan and Program. The Conceptual Land Use Plan and Program for the Project (the "**CLU Plan**"), a copy of which is attached as Exhibit A, contemplates the development of an aggregate of 9,121,400 gsf comprised of residential uses (1,360 units), retail, food and beverage and entertainment uses (1,526,000 gsf), office uses (5,724,400 gsf), and hotel uses (700 keys). In accordance with this Term Sheet Supplement No. 2, Developer would have an obligation to build 1,300,000 square feet of improvements in Phases 1 and 2 combined and to use best efforts to build an additional 430,000 square feet of improvements in Phases 1 and 2 combined. The Remaining Potential Development within Phases 1 and 2 and 3 would total 2,445,000 square feet of improvements. The Remaining Potential Development within Phases 4 through 8 would be 5,146,400 square feet of improvements.

B. Detailed Conceptual Land Use Plan and Program for Tasman Project. The detailed Conceptual Land Use Plan and Program for the land underlying the Tasman Project is attached hereto as Exhibit C (the "**Tasman CLU Plan**"). The Tasman CLU Plan contemplates the development of an aggregate area of 825,000 gross square feet ("gsf") comprised of the following:

1. **Office** – 258,000 gsf of office use (25- 30,000 gsf floorplate) located adjacent to the City Garage with Tasman frontage directly across from the Levi's Stadium, with lobby on Stars & Stripes.
2. **Hotel** – a 400-key hotel with approximately 25,000 gsf of meeting space (10-12 stories) located on the block adjacent to the Office complex; entrance and lobby on Stars & Stripes.
3. **Retail** – 71,000 gsf of retail on the first/second levels focused on the gateway entrance along Tasman/Centennial up through Stars & Stripes.
4. **Residential** – a 200-unit residential building (10-12 stories) built above a parking podium located on the eastern portion of the Tasman Property adjacent to Lafayette. At Developer's election, construction of this residential project may be phased separately within Phase 1 depending on market conditions.

C. Tenant Quality. Tenants within the Tasman Project will be generally consistent with other mixed-use projects developed and/or operated by Related. The Transaction Documents will include but not be limited to discussion and incorporation of the following standards for the Tasman Project:

1. A requirement that retailers (but not necessarily the restaurants) within the Tasman Project (i) focus on mid-to-high level price points, (ii) be either national stores or local enterprises that have a demonstrated track record of providing high

quality merchandise and service to the satisfaction of the City Manager, unless otherwise approved by the City Manager, and (iii) adhere to certain minimum operating hours.

2. A requirement that hotel, health club and entertainment components of the Tasman Project (i) be either national enterprises or local enterprises that have a demonstrated track record of providing high quality service to the satisfaction of the City Manager, unless otherwise approved by the City Manager, and (ii) that hotels be of "four star" caliber.

IV. PHASING, TAKE DOWNS, CONSTRUCTION COMMENCEMENT AND OPENING

A. Time for Take Down/Construction Start for Phases. Exhibit B to the Term Sheet Supplement that shows the time to Take Down each Phase and the Construction Start for each Phase is hereby replaced by the replacement Exhibit B attached hereto. The times shown for Take Down of Phase 1 and Phase 2 (but no other Phase) shall be subject to Force Majeure. Developer's failure to Take Down Phase 1 or Phase 2 (but not any other Phase), subject to Force Majeure, shall be an event of default under the DDA.

B. The time for Construction Start of horizontal infrastructure shall be as shown on Exhibit B, subject to Force Majeure. Upon Developer's election to enter into a Lease for the Tasman Property, City and Developer shall enter into a separate Lease for Phase 1, the form of which will be attached as an exhibit to the DDA. The Parties project that the opening of the Tasman Project will occur in 2020, subject to delay for Force Majeure.

C. Minimum Development.

1. The definition of Minimum Initial Development and Minimum Retail Development set forth in this Supplement No. 2 will supersede the definitions of Minimum Initial Development and Minimum Retail Development set forth in the Term Sheet Supplement.

2. Section II.C of the Term Sheet Supplement is hereby replaced in its entirety to read as follows:

Developer will build (or use best efforts to build, as applicable) the Minimum Initial Development and the Minimum Retail Development. The purpose of this paragraph C is to define "minimum project" as used in paragraph 3 of Section VII.B.3 of the Term Sheet, and no other paragraphs of such Section VII.B.3 are intended to be affected by this paragraph C.

V. RENT STRUCTURE

A. Rent and Rent Commencement for Phase 1. The initial Rent for Phase 1 will be \$750,000, commencing upon Take Down of Phase 1.

B. Rent Adjustments. Beginning with the first anniversary of the Take Down of Phase 1 and continuing through the 44th Lease Year, Rent will increase by three percent (3%) over the Rent for such Phase for the prior Lease Year. Beginning with the 46th

Lease Year and continuing through the end of the Lease term for such Phase, Rent will increase by the lesser of (i) three percent (3%) over the Rent for the prior Lease Year for such Phase or (ii) the increase in the CPI (chosen by the Parties) since the beginning of the prior Lease Year. However, none of the foregoing shall apply with respect to the Rent upon the opening date and the 4th anniversary of the opening date, and the 20th, 25th, 35th, 45th, 53rd, 61st, 70th, 80th and 90th Lease Years (or such other years as described in Section V.B.4 below), which Rent shall be adjusted as follows:

1. starting on the opening date, Rent will increase to \$1,000,000;
2. on the 4th anniversary of the opening date, Rent will increase to \$1,500,000;
3. in the 20th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties), multiplied by six and one half percent (6.5%), but in no event less than \$3,000,000 or more than \$3,500,000;
4. in the 25th, 35th, 53rd, 61st, 80th and 90th Lease Years, Rent will increase by ten percent (10%) over the Rent for the prior Lease Year; provided, however, that if the Take Down of either Phase 2 or Phase 3 occurs within one (1) year of the Take Down of Phase 1, then all such 10% Rent adjustments for Phase 1 will be implemented concurrently with the Rent adjustments described in Section III.B.1 of the Term Sheet Supplement starting with Lease Year 25;
5. in the 45th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties) multiplied by six and one half percent, but in no event less than ten percent (10%) more than the Rent for Phase 1 during the 44th Lease Year.
- 6.- in the 70th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Tasman Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties) multiplied by six and one half percent (6.5%), but in no event less than ten percent (10%) more than the Rent for Phase 1 during the 69th Lease Year.

VI. FINANCING

As provided in the Term Sheet, Developer expects to obtain public and private financing for the Project, including CFD financing, and City will cooperate to the extent provided in the Term Sheet.

VII. LEASE TERM; REVERSION OF IMPROVEMENTS

For purposes of Section IV of the Term Sheet Supplement, all references to "Phase 1" shall mean Phase 1 as defined in this Supplement No. 2, so that the Lease term for the Phase 1

Lease will be 99 years, beginning with the date of Take Down of Phase 1. All other terms of Section IV shall remain unchanged.

VIII. MISCELLANEOUS

A. The references in Sections VII.B.5 and VII.B.6 of the Term Sheet to "City Center portion of the Project" mean Phase 1, 2 and 3.

B. Prior to commencement of construction on each Phase, Developer will advise City of Developer's capital commitment to the Phase that is required by its lenders and/or partners for such Phase.

C. Developer desires to obtain an option to acquire the fee interest in the Tasman Property (only from the platform up with respect to the 1.5 Acre Site). City will consider granting such an option subject to reaching agreement on the timing and terms of the acquisition and determining that a true option may be granted to Developer. City shall also consider granting a fee interest in a portion of the property to a department store, hotel or office tenant that requires a fee interest as a condition to its participation in the Project.

D. As supplemented by this Supplement No. 2, the Term Sheet shall remain in full force and effect. In the event of an inconsistency between this Supplement No. 2 and the Term Sheet, this Supplement No. 2 shall control. This Supplement No. 2 may be amended or supplemented only by an instrument in writing signed by both Parties and may be executed in counterparts. Each fully executed counterpart shall be deemed to be an original Supplement No. 2 and all of such fully executed counterparts shall be deemed to be one and the same agreement.

By signing below, the Parties evidence their general agreement with the provisions of this Supplement No. 2 and agree to use this Supplement No. 2 and the Term Sheet as the framework for the good faith negotiations of binding definitive agreements. Any agreements resulting from negotiations would become effective only if and after such agreements have been considered and approved by City following compliance with all legally required procedures, and subject to the terms of Article I of the Term Sheet.

IN WITNESS WHEREOF, the undersigned have executed this Supplement No. 2 as of the date first written above.

DEVELOPER:

RELATED SANTA CLARA, LLC, a
Delaware limited liability company

By: 

Its: Authorized Signatory

CITY:

CITY OF SANTA CLARA, a municipal
corporation

ATTEST:

By: 

for ROD DIRIDON, JR.
City Clerk

By: 

JULIO J. FUENTES
City Manager

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771

APPROVED AS TO FORM:

By: 

RICHARD E. NOSKY, JR.
City Attorney

List of Exhibits to Supplement No. 2

- A - Current Configuration and Intended Use of the Property Phases
- B - Take Down Timeframes
- D - Tasman CLU Plan

Exhibit A to Supplement No. 2

Current Configuration and Intended Use of Parcels and Phases (including Phase 1)

[Attached]

Exhibit B

Take Down Time Frames

[Attached]

EXHIBIT C

Tasman Property Conceptual Land Use Plan

[Attached]

List of Exhibits to Supplement No. 2

- A - Current Configuration and Intended Use of the Property Phases
- B - Take Down Timeframes
- D - Tasman CLU Plan

Exhibit A to Supplement No. 2

Current Configuration and Intended Use of Parcels and Phases (including Phase 1)

[Attached]

PROGRAM SUMMARY



239 ACRES

9.2 M SF

TOTAL PROJECT

Phase	GSF	Parking Spaces	Retail	Office	Hotel	Residential
1	625,000	1,290	71,000	258,000	400 keys	
1A	200,000	200	-	-	0	200 units
2	2,584,000	8,010	1,389,000	320,000	300 keys	660 units
3	566,000	764	66,000	-	0	540 units
4	1,066,400	3,199	-	1,066,400		
5	720,000	2,160	-	720,000	0	0
6	1,200,000	3,600	-	1,200,000	0	0
7	1,080,000	3,240	-	1,080,000	0	0
8	1,080,000	3,240	-	1,080,000	0	0
Total	9,121,400	25,703	1,526,000	5,724,400	700 keys	1,400 units

LEGEND

Land Uses
Podium Residential
Retail Anchor
Retail and F & B
Hotel
Entertainment
Office

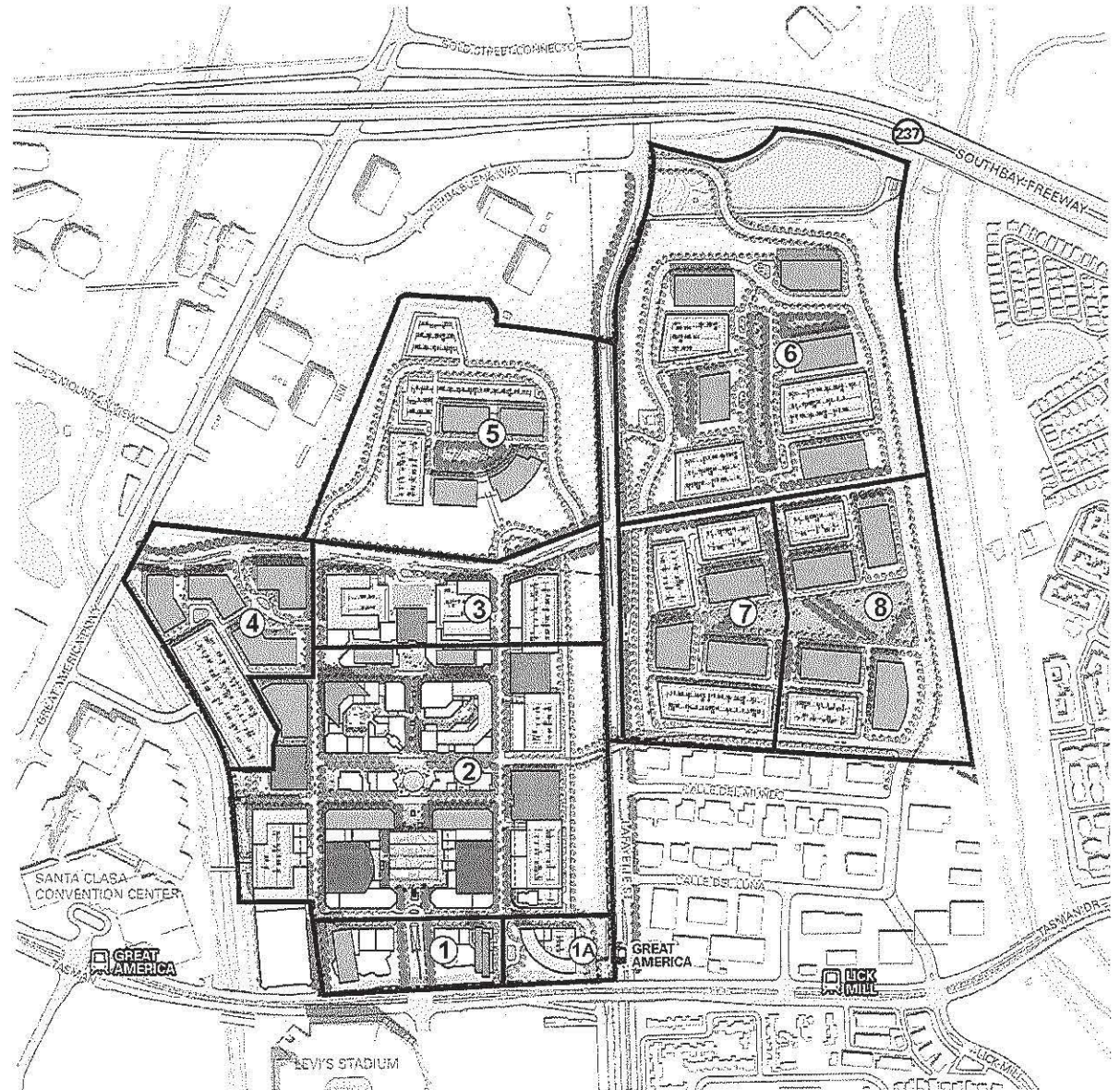


Exhibit B

Take Down Time Frames

[Attached]

Exhibit B to Supplement No. 2

Take Down Timeframes

Phase¹	Required Take Down Date	Construction Start, subject to Force Majeure
1	December 2017*	Within 2 years after Take Down (anticipated to be no later than December 2019)
2	December 2018*	Within 2 years after Take Down (anticipated to be no later than December 2020)
3	4 years after Phase 2 Take Down (anticipated to be no later than December 2022*, but may be taken out of order)	Within 1 year after Take Down (anticipated to be no later than December 2023)
4	5 years after Phase 3 Take Down (anticipated to be no later than December 2027*, but may be taken out of order)	Within 1 year after Take Down (anticipated to be no later than December 2028)
5	3 years after Phase 4 Take Down (anticipated to be no later than December 2030 *, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2032)
6	3 years after Phase 5 Take Down (anticipated to be no later than December 2033 *, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2035)
7	2 years after Phase 6 Take Down (anticipated to be no later than December 2035*, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2037)
8	2 years after Phase 7 Take Down (anticipated to be no later than December 2037*, but may be taken out of order)	Within 2 years after Take Down (anticipated to be no later than December 2039)

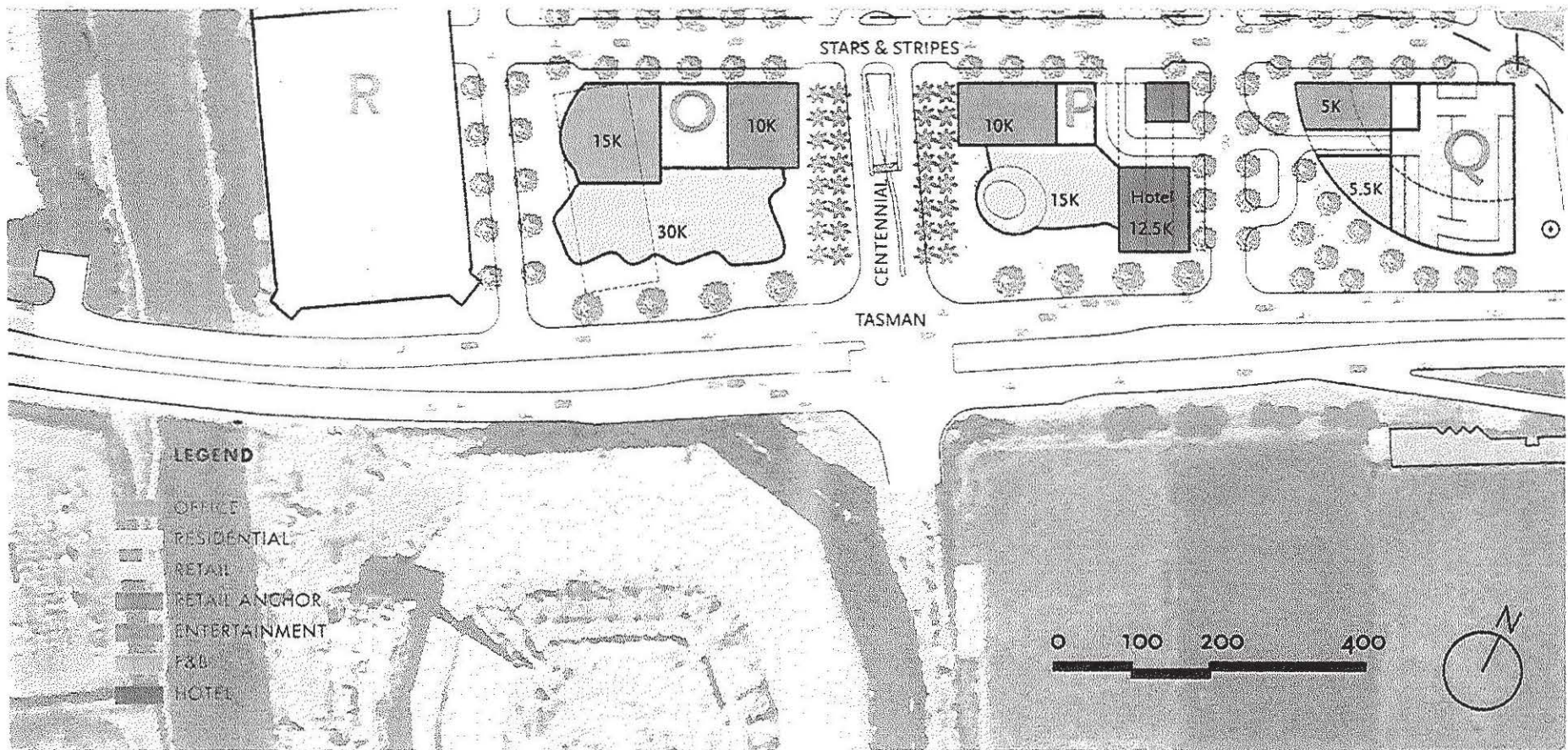
*Dates are subject to Force Majeure provisions within the Term Sheet and as previously defined.

¹ Beginning with Phase 3, Developer may take down the parcels in any order desired, but must take down each next phase in accordance with the time intervals set forth on this exhibit. By way of example, Developer could elect to take down Phase 5 as the next phase after Phase 2, but would have to do so within 4 years after Phase 2 Take Down (no later than December, 2022).

EXHIBIT C

Tasman Property Conceptual Land Use Plan

[Attached]



CITY PLACE
Santa Clara, California

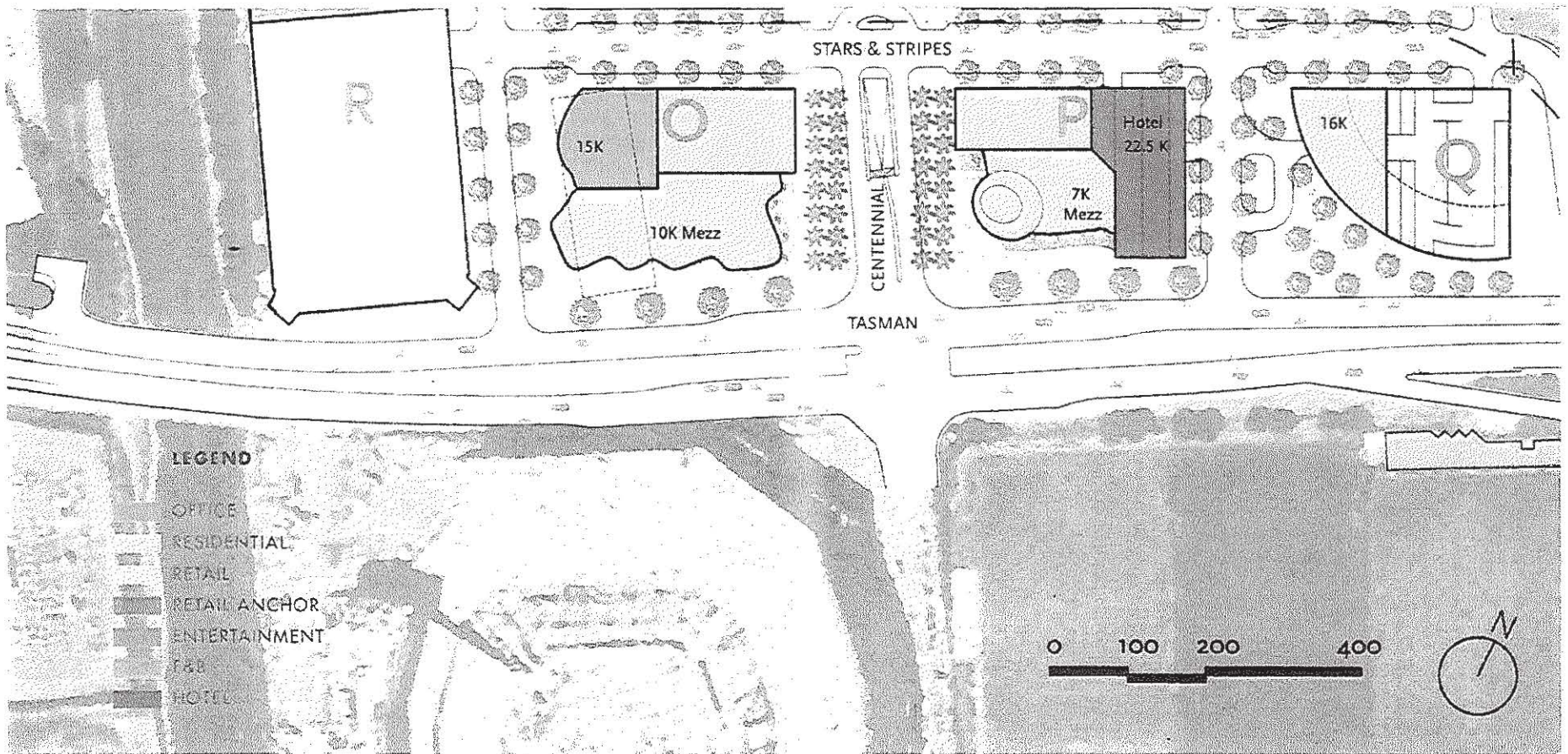
Ground Floor Anchoring Plan

MAY 11, 2015



RELATED

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ARCHITECTS



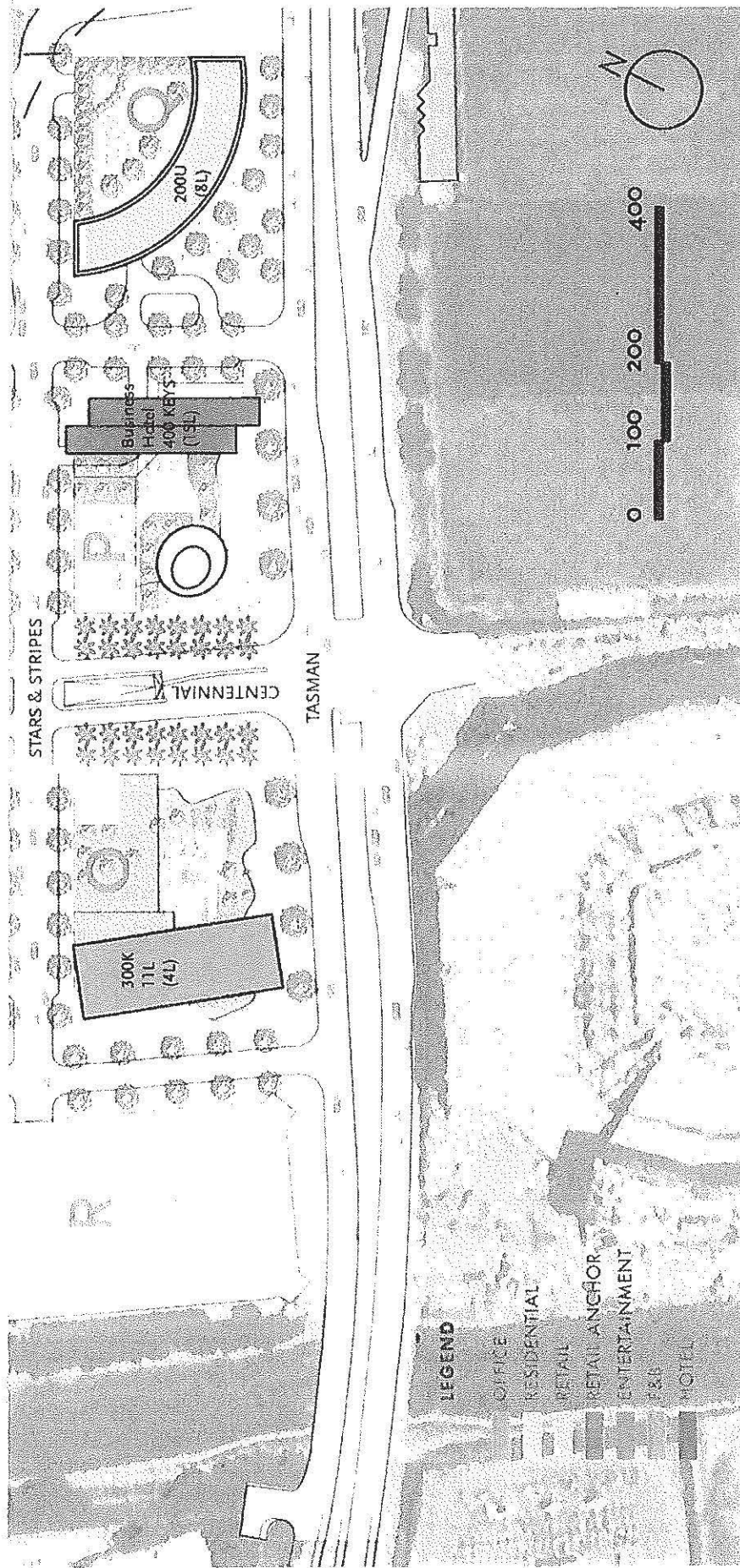
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Level 2 Anchoring Plan
MAY 11, 2015



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